Mark R. Warner
US Senator from the Commonwealth of **Virginia**

II. Investing in Workers

Addressing our chronic under-investment in workers

As we work to mitigate the financial toll of COVID-19 and move forward with economic recovery efforts, we must first take stock of how we succeeded in overcoming economic adversity in the past, and examine the conditions under which this success was achieved. One of the keys to America's 20th century post-war economic success was our ability to prepare American workers for success over the course of their life and through multiple sectors across society. Back then, workers received all of their necessary skills training and education through partnerships between employers, governments, and organized labor. A worker would start out with free public K-12 education, low-cost community college, and apprenticeships, all existing alongside on-the-job training. Thereafter, companies would routinely recognize that investments in their employees were investments in the long-term success of the firm. As a consequence, companies invested in employees' growth over the duration of their tenure.

Unfortunately, over the past several decades, we have seen a shift in business norms and in society. On the one hand, the technology and job skills required for some jobs have changed dramatically. Harvard economist David Deming, for example, found that the skills profile of some jobs – like mechanical drafters – has changed by as much as 40% in the last 10 years as a result of technological change.[1] On the other hand, the private and public partnership to hire workers at different education levels and invest in them for the long-term is broken. Available data from the last decade suggests that businesses are investing less in worker training, not more. [2] Additionally, in a phenomenon known as degree inflation, employers are increasingly requiring college degrees for occupations that did not previously require them, out of proportion with the percentage of current workers in those occupations who have one.

Degree inflation is going to pose a problem for our post-COVID-19 recovery, as evidenced by the Great Recession, during which three out of four jobs lost were held by workers with a high school diploma or less.[3] Despite this, only one out of 100 new jobs created after the recession – between 2010 and 2016 – required a high school diploma or less.[4]

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[1] Deming, David J. and Kadeem L. Noray. 2018. "STEM Careers and Technological Change." No. w25065. National Bureau of Economic Research.

[2] Council of Economic Advisors. 2015. "Economic Report of the President." https://obamawhitehouse.archives.gov/sites/default/files/docs/cea_2015_erp_complete.pdf.

[3] Fuller, J., Raman, M., et al. (October 2017). Dismissed By Degrees. Published by Accenture, Grads of Life, Harvard Business School.

[4] Ibid

In fact, of the 11.6 million jobs created during this period, three out of four required a bachelor's degree or higher.[5]

Degree inflation in job postings is at odds with the skills that workers without a college degree already bring to the table. For example, in a pre-pandemic report authored by Opportunity@Work, Harvard, Cornell, and Accenture, researchers found that that 30 million non-college degree holding workers – known as "STARs" (Skilled Through Alternative Routes) – had the skills for significantly higher-wage work.[6] In other words, the workers had the skills at that moment to transition into positions that paid on average 70% more than what they were earning. This is not a skills gap problem, this is a labor market failure problem.

Compounding the problem, we know that the global financial crisis led to a well-documented decline in overall business investment. This decline now coincides with the wage polarization of workers and an increase in spending on share buybacks and dividends. This has led several researchers to conclude that companies are deemphasizing investment at the expense of increasing returns for shareholders[7];[8] – a trend that will likely worsen, particularly for investments in workers, by the onset of a global pandemic.

Within that overall decline in investment, publicly traded companies are being incentivized to prioritize investments in physical assets over investments in their workforce – in other words, investing in robots over people. In fact, there are already signs that automation has increased during the pandemic.[9] At a time when certain job opportunities in the labor market are shifting to require more cognitive skills[10] in increasingly dramatic time periods,[11] reducing private investment in workforce training will run counter to what our economic recovery needs.[12]

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[5] Ibid

[6] Blair, Peter Q., Tomas G. Castagnino, Erica L. Groshen, Papia Debroy, Byron Auguste, Shad Ahmed, Fernando Garcia Diaz, and Cristian Bonavida. March 2020. "Searching for STARs: Work Experience as a Job Market Signal for Workers without Bachelor's Degrees." NBER Working Paper No. 26844

[7] Alexander, Lewis & Eberly, Janice. (2016) Investment Hollowing Out. IMF Jacques Polak Research Conference.

[8] Gruber, Joseph & Kamin, Steven. (2015) The Corporate Saving Glut in the Aftermath of the Global Financial Crisis. Board of Governors of the Federal Reserve System, International Finance Discussion Papers.

[9] Ding, Lei, and Julieth Saenz Molina. 2020. "'Forced Automation' by COVID-19? Early Trends from Current Population Survey Data." Federal Reserve Bank of Philadelphia. Retrieved: https://www.philadelphiafed.org/community-development/work-force-and-economic-development/forced-automation-by-covid-19.; Autor, David, and Elisabeth B. Reynolds. 2020. "The nature of work after the COVID crisis: Too few low-wage jobs." Brookings Institution. Retrieved: https://www.brookings.edu/research/the-nature-of-work-after-the-covid-crisis-too-few-low-wage-jobs/.

[10] Autor, David et al. (2006) The Polarization of the U.S. Labor Market. American Economic Review, 96(2): 189-194.

[11] Deming, David J. and Kadeem L. Noray. 2018. "STEM Careers and Technological Change." No. w25065. National Bureau of Economic Research.

[12] Council of Economic Advisors. 2015. "Economic Report of the President." https://www.obamawhitehouse.archives.gov/sites/default/files/docs/cea_2015_erp_complete.pdf.

Though it will not solve all of the current problems in our labor market, the United States must work to address current degree inflation and start investing in American workers. This is essential if we are to create an inclusive 21st century economy, and it must start with reforming misaligned businesses incentives to make sure that workers are viewed as assets instead of costs. We must also mobilize a cultural shift to lifelong learning where workers can constantly access opportunities for training, not just at the beginning of their careers or through their employer.

Access to effective training is an essential factor in workers' ability to adapt. However, too many people – particularly low-wage workers and communities of color – are falling through the cracks due to education systems and employers that are ill-equipped to accommodate the diverse social and economic barriers that workers face.[13] Without adequate preparation, automation and artificial intelligence threaten to compound this problem by further polarizing the labor market.

Many CEOs repeat the adage that "our best asset is our people." In order to put this sentiment into practice in the 21st century, we must realign our incentives to encourage more inclusive economic growth. Such a shift should include making it easier for companies to treat human capital as an asset, creating private worker training accounts that leverage government and company investment, and learning from the worker training programs that are successful in helping people manage transitions and learn new skills.

A. Changing the Tax Code to Invest in Workers

Historically, the U.S. tax code has prioritized and subsidized investment in physical assets and research but not investments in people. In the 20th century, when labor was abundant and capital was scarce, the federal government incentivized spending on physical assets to promote growth. Because economists believed that the market would fail to provide sufficient investment in research for the public good, policymakers also enacted a credit for spending on research and development.

Presently, the government still subsidizes these kinds of investments directly. The tax code currently offers a tax credit for employers that make long-term investments in innovation, called the Research and Development (R&D) tax credit. Created through the Economic Recovery and Tax Act of 1981 during the Reagan administration, the R&D tax credit evolved to a 14% credit for companies with R&D expenditures that exceed 50% of their average spending over the previous three years. This credit has historically incentivized companies to invest in research that drives long-term performance, which then promotes economic growth across the economy.

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[13] Escobari, Marcela, Ian Seyal, and Michael Meaney. 2019. "Realism about Reskilling." Brookings Workforce of the Future Initiative. https://www.brookings.edu/wp-content/uploads/2019/11/Realism-About-Reskilling-Final-Report.pdf

The United States adopted the R&D tax credit with the understanding that investments in innovation serve a dual purpose: giving a company a competitive advantage while increasing productivity broadly. Indeed, researchers find that a dollar in tax credit for R&D stimulates a dollar of additional R&D spending.[14] To continue to promote innovation and growth, these tax incentives offer appropriate and important encouragement for the market to invest in the future.

As part of our recovery and transition into a 21st century economy, our tax incentive structure needs to be updated to promote these kinds of investments in labor. Researchers estimate that in the last several decades, increasing levels of human capital accounted for approximately one third of productivity growth.[15] Much of our long-term success in a 21st century economy will hinge on our ability to increase spending on worker investments and continue increasing productivity. A tax incentive that encourages long-term investments in reskilling and upskilling workers will benefit both companies and society.[16] An evaluation of a similar program, the California Employment Training Panel, showed particularly large benefits among companies with fewer than 100 employees. Though small businesses employ 35% of the country's workforce, many do not have the resources to train their workers, more so in the wake of the pandemic.[17] Congress should update the tax code so that companies are financially encouraged to invest in human beings as much as they are incentivized to invest in machines or research.

Proposal: Create a worker-training tax credit modeled after the R&D tax credit. A 20% credit could be established for employers who increase their training expenditures over a baseline amount. Qualified training expenditures would be limited to those that result in a recognized postsecondary credential, including apprenticeships, an industry-recognized certificate or certification, a government-recognized license, or an associate degree or bachelor's degree. To ensure the credit reaches those employees who need it, it could be limited to training for low- to middle-income employees, tied to wage gains for workers, and require reporting along racial and gender lines to make sure it is equitably distributed. Employers would then have an incentive to increase spending on quality workforce training programs, including apprenticeships and programs conducted or sponsored by a labor organization.

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[14] Hall, Bronwyn H. and John van Reenen. 1999. "How Effective are Fiscal Incentives for R&D? A Review of the Evidence." National Bureau of Economic Research No. 7098.

[15] Griliches, Z. 1997. "Education, Human Capital, and Growth: A Personal Perspective.", Journal of Labor Economics, 15(1, Part 2), pp.S330-S344

[16] Costa, Rui, Nikhil Datta, Stephen Machin, and Sandra McNally. 2018. "Investing in People: The Case for Human Capital Tax Credits." Centre for Economic Performance, Paper IS01.

[17] Negoita, Marian, and Annelies Goger. 2020. "State level policies to incentivize workplace learning: Impacts of California's incumbent worker training program." Brookings Institution. Retrieved: https://www.brookings.edu/wp-content/uploads/2020/07/Neigoita_Goger_final.pdf

This proposal is similar to S.538, the Investing in American Workers Act, which was introduced by Senators Mark R. Warner (D-VA), Debbie Stabenow (D-MI), and Bob Casey (D-PA) in February of 2019.

B. Lifelong Learning

In an era of increasing technological disruption for various sectors and occupations, workers should have access to tools that help them individually direct, own, and demand their own upskilling and retraining programs. But in order for training programs to succeed in the first place, we need two things:

First, we need to create a cultural shift in the United States toward lifelong learning and incorporate that forcefully in our efforts to combat the economic downturn. For certain sectors and occupations, future automation has the potential to increase total net global employment if workers are properly prepared for technological changes. But in order to realize those gains, approximately one-third of workers will need to retrain and learn new skills.[18] A recalibration of this scale will require a cultural shift toward lifelong learning for workers as well as employers. This new culture of lifelong learning in an ever-adapting 21st century economy should help drive workers to continuously pursue skills training for the long-term benefit of the economy. Unfortunately, we currently provide few incentives or structures in place for this kind of cultural shift to take hold among workers and firms.

Second, we need to address the cost of training for the individual, given that cost is one of the primary reasons that Americans do not participate in more training programs.[19] This includes opportunity costs, particularly in the context of millions of additional unemployed workers who lost their jobs through no fault of their own. The Joint Center for Political and Economic Studies recently found that, across racial groups in the United States, the primary barrier to getting a certificate, license, or additional training, was financial constraint.[20] Workers should have access to the resources and tools necessary to find the training that works best for them. They should also be provided with a vehicle that allows government and their employer to participate in the funding.

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[18] Manyika, James, Susan Lund, Michael Chui, Jacques Bughin, Jonathan Woetzel, Parul Batra, Ryan Ko, Saurabh Sanghvi. December 2017. "Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation." McKinsey Global Institute.

[19] World Economic Forum White Paper. 2017. "Accelerating Workforce Reskilling for the Fourth Industrial Revolution" https://www3.weforum.org/docs/WEF_EGW_White_Paper_Reskilling.pdf

[20] White, Ismail and Harin Contractor. 2019. "Racial Differences on the Future of Work: A Survey of the American Workforce." Washington, DC: Joint Center for Political and Economic Studies.

Proposal: Similar to actions taken by Singapore and France, the U.S. should create a tax-favored, worker-managed Lifelong Learning and Training Account that can be used to pay for education and training. Government, employers, and workers could all contribute to the fund, but the end result should be a system that empowers the worker to direct their training. To incentivize workers and employers to contribute, and mitigate financial constraints as a barrier, there could be a dollar-for-dollar federal match on the first $1,000 in savings every year for low- to middle-income workers. The Lifelong Learning and Training Account funds can be applied towards any training that leads to a recognized post-secondary credential chosen by the worker. To avoid misuse, and to incentivize innovative approaches to training, the program should recognize a strong credential standard based on evidence that demonstrates an improvement in long-term employability. The accounts should be portable from job to job, always under the workers' control, interoperable with different sources of funding, and paired with improvements in labor market data and career counseling through the development of online infrastructure that makes this information accessible to workers. Once in place, the accounts could be infused with direct payments from the federal government during future recessions and include a larger benefit for the lowest-wage workers, particularly if they plan to participate in training for in-demand professions such as those in the health care industry. These accounts should be coupled with efforts to build up the supply of quality training providers, holding them to high standards, and further investing in Employment Service and the Job Centers.

This proposal is similar to S.539, the Lifelong Learning and Training Account Act which was introduced in February 2019 by Senator Warner & Senator Chris Coons (D-DE).

C. Investments in Community Colleges

With over 1,400 community colleges in the United States, we already have a widespread and primarily public system of postsecondary education across the country with the infrastructure to serve millions of students. Around 6.7 million students were enrolled in community colleges in the fall of 2017,[21] compared to 10.9 million in four-year institutions in the fall of 2018.[22] Economists have pointed out that the community college system not only provides a high rate of return for students, especially for women, but it also "dwarfs in scale any other institution in terms of providing vocational training."[23] Community college students are also more likely to attend part-time and be older, self-supporting, and oriented toward vocational training. They are also more likely to be first generation students, or students of color.

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[21] Community College Research Center. Retrieved: https://ccrc.tc.columbia.edu/Community-College-FAQs.html

[22] BNational Center for Education Statistics. Retrieved: https://nces.ed.gov/programs/coe/indicator_cha.asp

[23] Osterman, P. (2011). "The promise, performance, and policies of community colleges." In B. Wildavsky, A. P. Kelly, & K. Carey (Eds.), Reinventing higher education: The promise of innovation. Cambridge: Harvard Education Press.

Unfortunately, a majority of students that enroll in community college do not complete a degree. Among students who first enrolled full-time at a two-year public institution in 2010, nearly 42 percent had not received any degree or were no longer enrolled in school six-years later.[24] According to Paul Osterman at MIT, the "failure rate is without question the greatest challenge confronting community colleges."[25] Not only do we need to adequately fund the community college system, we also need to make sure that community colleges work to increase degree completion rates for students that enroll.

Proposal: Mirroring a proposal first outlined by Austan Goolsbee, Glenn Hubbard, and Amy Ganz of the Aspen Institute's Economic Strategy Group, the federal government could expand the "supply side" of the community college marketplace by investing new federal funding in community colleges that would be contingent upon meeting certain outcomes-based criteria in degree completion rates and labor market outcomes.[26] The program would reverse decades of state and local funding cuts in postsecondary education and would aim to boost the quality and capacity of community colleges to meet ever-growing demand for skill-development (retraining) and lifelong learning. Such investments – inspired by the nineteenth century Morrill Land Grant Program – are demonstrated to increase student completion outcomes.[27] Funding could be applied, for example, to evidence-based programs and to increasing student supports, which have been shown to increase completion, wages, and employment outcomes.

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[24] Shapiro, D., Dundar, A., Huie, F., Wakhungu, P.K., Bhimdiwali, A. & Wilson, S. E. (2018, December). Completing College: A National View of Student Completion Rates – Fall 2012 Cohort (Signature Report No. 16). Herndon, VA: National Student Clearinghouse Research Center.

[25] Osterman, P. (2011). "The promise, performance, and policies of community colleges." In B. Wildavsky, A. P. Kelly, & K. Carey (Eds.), Reinventing higher education: The promise of innovation. Cambridge: Harvard Education Press.

[26] Goolsbee, Austan, Glenn Hubbard, and Amy Ganz. 2019. "A Policy Agenda to Develop Human Capital for the Modern Economy." Aspen Institute: Economic Strategy Group.

[27] Deming, David and Christopher Walters. 2017. "The Impact of Price Caps and Spending Cuts on U.S. Postsecondary Attainment." Discussion Paper #2017.03. School Effectiveness and Inequality Initiative. Retrieved: https://-seii.mit.edu/wp-content/uploads/2017/09/SEII-Discusssion-Paper-2017.03-Deming-Walters.pdf

D. Promoting Workers Skilled Through Alternative Routes

Before the onset of COVID-19, researchers uncovered that there were around 30 million non-college degree holding workers known as "STARs" (Skilled Through Alternative Routes) with the skills for significantly higher-wage work. In other words, given the opportunity to take on these jobs on the basis of their skills, these workers could have been making substantially higher wages before the onset of the pandemic. In some cases, the transition to new employment would lead to an increase of 50% or more of their take-home pay.[29] In one clarifying example, researchers found significant overlap in skills for workers serving as sales representatives (often making less than $37,500 a year) and those working as advertising sales agents (making between $37,500 and $77,000 a year). The difference in income for a typical American family could be profound.

Since workers without a college degree make up the majority of the labor force and are overrepresented in communities of color, a COVID-19 economic recovery must include and prioritize STARs. By one measure, requiring a 4-year college degree for a job excludes 34.9% of Asian Americans, 53.5% of White Americans, 66.2% of those that identify as other, 67.9% of Black Americans, and 78.5% of Hispanic Americans in the labor market.[30] In essence, requiring a four-year college degree for jobs that might not need them excludes a majority of communities of color from that position. Yet, between 2008 and 2017, 74% of new jobs were in occupations where employers require a 4-year degree.[31] To guide the economy toward an equitable recovery, we will need to make sure that workers with the skills to fulfill available jobs have adequate opportunity to compete for them, regardless of whether they have a 4-year degree.

Proposal: Temporarily add workers without a four-year degree to the Work Opportunity Tax Credit program until labor force participation rates increase to pre-pandemic levels. The tax credit would be available for eligible wages up to $1,500, which is less than all the other individuals in the program, and only if the percentage of new hires without a four-year degree is greater than 25%. If an individual is hired that meets the criteria of the original program (except for Summer Youth) and also does not have a four-year degree, the additional eligible wages can be added to the original tax credit calculation. Additionally, the tax credit would only be available to primary employers that hire individuals full-time.

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[28] Blair, Peter Q., Tomas G. Castagnino, Erica L. Groshen, Papia Debroy, Byron Auguste, Shad Ahmed, Fernando Garcia Diaz, and Cristian Bonavida. March 2020. “Searching for STARs: Work Experience as a Job Market Signal for Workers without Bachelor's Degrees.” NBER Working Paper No. 26844

[29] Ibid

[30] Opportunity@Work analysis of the 2019 Annual Social and Economic Supplement (ASEC) of the Current Population Survey. Retrieved: https://opportunityatwork.org/stars/

[31] Ibid

The goal of the temporary program will be to incentivize employers to hire workers without a four year degree through the tax code to limit the immediate effects of the economic downturn for workers who historically struggle to regain their footing in the labor market.

E. Funding for Research & Development Partnered with Labor Organizations

To make sure that a COVID-19 recovery is felt by all, we have to revive the policies that spurred broad-based economic growth in the first place. In 1940, FDR signed off on the development of an entity called the National Defense Research Committee. It was designed to funnel funding into science and research that could then be scaled for military purposes. After the end of World War II, we continued to funnel investments in R&D. Between 1940 and 1964, federal funding for R&D increased twentyfold.[32] At its peak, it was around 2% of GDP - equivalent to almost $400 billion today.[33] This heavy investment in technology and universities, partnered with the private sector, had a transformational impact on the economy. Between 1947 and 1970, median family income doubled, and it was spread out all across the country, not just in major cities.[34]

Since this time, federally funded R&D declined from about 1.9% of GDP in the 1960s to about 0.7% of GDP in 2015.[35] In today's dollars, the US spends roughly $240 billion less per year on R&D than it did at its peak. There is now a significant body of evidence indicating that R&D and other measures of innovation do substantially raise productivity growth with returns for the private sector.[36] But while spending on R&D generates plenty of returns for the private sector, research estimates the social returns from investment in innovation are much higher, roughly 60% compared to 15% for the private sector.[37]

While there is a clear economic imperative to increase federal funding for research and development, we need to make sure that those investments generate broad-based gains across the country and for workers of all sectors and wage groups, not just the most economically advantaged. To do that, we need to have a much closer relationship between the development of technology and the organizations that have been at the forefront of worker advocacy and training: unions. Unions and similar on-the-ground workforce organizations have the power to efficiently funnel resources into training programs for a local labor market that could stand to benefit from early access to training programs for technology that may replace or augment their current occupational skills.

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[32] Gruber, Jonathan and Simon Johnson. 2019. Jump-Starting America: How Breakthrough Science Can Revive Economic Growth. New York: PublicAffairs.

[33] Ibid

[34] Ibid

[35] Acemoglu, Daron. 2019. "It's good jobs, stupid." Research Brief: Economics for Inclusive Prosperity. Retrieved: https://econfip.org/wp-content/uploads/2019/06/Its-Good-Jobs-Stupid.pdf

[36] Bloom, Nicholas, John Van Reenen, and Heidi Williams. 2019. "A Toolkit of Policies to Promote Innovation." Center for Economic Performance Discussion Paper No 1634. Retrieved: https:cep.lse.ac.uk/pubs/downloads/dp1634.pdf

[37] Ibid

Proposal: Modeled after a successful program at Carnegie Mellon University in partnership with the AFL-CIO, the federal government could appropriate funding to a new division at the National Science Foundation that would provide research funding for universities and institutions of higher education that form partnerships with local workforce organizations and unions. This proposal would require that training programs be incorporated into the development stage of new technology.

F. Human Capital Disclosure

Now, more than ever, we need to understand exactly how companies are investing in their workers through company disclosure practices. Over the past several months, companies across the country have taken extreme actions to adapt and respond to evolving workforce challenges presented by COVID-19. JUST Capital,for example, has been tracking the responses of the S&P's 100 largest public companies to their workers, and has found wide variation in the policies implemented as well as their disclosure.[38] Through different responses to their workforce, from layoffs to workplace safety to paid leave, COVID-19 is exposing the myriad ways that company human capital management practices pose operational and reputational risks for short and long-term performance.

We know that company investments in their workers track with long-term performance. Even before the pandemic, there was a growing body of research establishing a relationship between measurable human capital management – the way that companies manage their employees – and firm performance. In a study of 2,000 large firms, Harvard Law School's Labor and Work Life Program found that forward-thinking human capital policies that prioritize workers – such as how companies train, retain, and pay their workers – are correlated with long-term financial performance.[39] Using asset management industry measurement standards such as risk-adjusted returns and means excess returns, researchers find that the S&P 500 firms disclosing their human capital costs are disproportionately the highest performing firms.[40] This same research finds that intensity of human capital reporting is correlated with greater firm financial performance, a focus on long-term value creation, and a higher return on investment from talent.[41] As a consequence, executives surveyed by the Council of Institutional Investors (CII) note that risks related to human capital rank fourth out of 11 major categories of risk, above supply chain, IT, and reputation.[42]

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[38] JUST Capital. 2020. "The COVID-19 Corporate Response Tracker: How America's Largest Employers Are Treating Stakeholders Amid the Coronavirus Crisis." Report. Retrieved: https://justcapital.com/reports/the-covid-19-corporate-response-tracker-how-americas-largest-employers-are-treating-stakeholders-amid-the-coronavirus-crisis/

[39] Bernstein, A. & Beeferman, L. (2018, Mar 9). Corporate Disclosure of Human Capital Metrics. Harvard Law School. Retrieved from

[40] Hesketh, Anthony. March 21, 2019. Letter to the SEC Investor Advisory Committee.

[41] Ibid.

[42] Bertsch, Kenneth (2016, July 8). Comment on "Concept Release: Business and Financial Disclosure Required by Regulation S-K." Council of Institutional Investors.
Retrieved from https://www.sec.gov/comments/s7-06-16/s70616-49.pdf

Disclosure of human capital management policies should be part of a whole-of-government economic recovery strategy. As the founder of the Coalition for Inclusive Capitalism recently noted in the Financial Times, U.S. financial markets had no form of standardized financial accounting before 1929.[43] Just as a set of Generally Accepted Accounting Principles (known as GAAP) was urgently adopted after the Great Depression, standardized, comparable metrics of human capital disclosure requirements in the context of this pandemic are critical for investors to accurately measure company performance both now and in the future. Since many firms already track human capital metrics internally,[44] moving towards a transparent disclosure regime would allow investors to better judge whether companies are managing risks and making the investments in their workforce that are needed for long-term growth.

Proposal: The SEC should require public companies to disclose information about their management of workers, on topics such as retention, compensation, and training. Finalized metrics should include metrics on health and safety preparedness, as well as quantitative disclosure items with a high value across industries, such as total employees, total wages, rate of workers that are full-time or contractors, turnover and promotion rates, violations of workplace safety regulations, and spending on employee training opportunities. To ensure that companies are evaluated on how they treat all their workers, not just those at the top, these metrics should be reported for multiple levels at a company: For example, knowing the internal promotion rate for each wage quintile of a company provides more information than just one overall statistic. Furthermore, the rules should also require the disclosure of practices on outsourcing and subcontracting of employment. Metrics should include reporting on race and gender. Producing uniform guidelines would encourage companies to adopt best practices for internal reporting and help pave the way for transparent human capital disclosures that are meaningful to investors.

In February 2020, Senator Warner introduced the Workforce Investment Disclosure Act, S. 3361 – a bill directing the SEC to require companies to disclose information about their human capital management.

G. Reform the Trade Adjustment Assistance (TAA) Program

As a consequence of an employer-provided benefits system, employment disruption can have particularly profound effects for workers in the United States relative to other OECD countries. Meanwhile, employment disruption can occur for a number of reasons unrelated to the individual employee. COVID-19 is an extreme example. But, in recent decades, the United States has seen job losses due to both technological change and disruptions related to trade and globalization, which have impacted the manufacturing sector disproportionately. [45],[46]

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[43] Forester de Rothschild, Lynn. April 29, 2020. "Companies that tap US relief packages must be more transparent." Financial Times. Retrieved: https://www.ft.com/content/0ffcba84-892b-11ea-a109-483c62d17528

[44] Bernstein, A. & Beeferman, L. (2018, Mar 9). Corporate Disclosure of Human Capital Metrics. Harvard Law School. Retrieved from

[45] Acemoglu, Daron and Pascual Restrepo. 2017. "Robots and Jobs: Evidence from US Labor Markets." NBER Working Paper No. 23285

[46] Houseman, Susan. 2018. "Understanding the Decline of U.S. Manufacturing Employment." Upjohn Institute Working Papers.

The Trade Adjustment Assistance (TAA) program is the primary tool for retraining workers who face employment disruption due to trade. Unfortunately, recent independent research finds that workers who participate in TAA training programs don't immediately benefit economically.[47] It often takes a decade or more for participants to see income gains.[48]

Research demonstrates that workforce development programs often lead to better results for workers when they are closely aligned with local labor demand.[49] The TAA program is an example of an existing program that could be reformed to facilitate more direct relationships with employers to better identify the training needs within local labor markets. Though TAA is intended to offer workers the opportunity to retrain, it currently provides limited opportunities to partner with local employers.

For example, current regulations allocate funding only to existing training programs offered by local institutions. In the event of economic and job disruption, there is potentially a need to design new training programs – using new economic mobility tools such as Brookings Institution's Mobility Pathways[50] – specifically for TAA-affected workers in order to translate their hard-earned skills to new local employer demand. Section 618.605 of the Department's proposed rule for TAA allows states to develop new customized trainings for groups of workers but this proposal would take the authority further.

What's more, in order to qualify for the program's benefits under TAA, workers must meet strict guidelines related to their connection to trade-related job loss that may limit the number of applicants eligible to receive aid. As of now, workers in the local community proximate to those directly affected by trade are not considered eligible for trade adjustment assistance. As a consequence, adjacent businesses in the local community who may also suffer indirect trade-related impacts do not receive government assistance through TAA. Thus, one of the shortcomings of TAA is that it does not consider negative spillovers to the broader community arising from unemployment.

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[47] D'Amico, Ronald, and Peter Z. Schochet. 2012. "The Evaluation of the Trade Adjustment Assistance Program: A Synthesis of Major Findings." Washington, DC: Social Policy Research Associates & Mathematica Policy Research.

[48] Ibid

[49] Maguire, Sheila et al. 2010. "Tuning In to Local Labor Markets: Findings from the Sectoral Employment Impact Study." Public/Private Ventures. https://ppv.issuelab.org/resources/5101/5101.pdf

[50] Escobari, Marcela, and Natalie Geismar. 2020. "Introducing the Mobility Pathways tool for workers, employers, and policymakers." Brookings Institution. Retrieved: https://www.brookings.edu/blog/up-front/2020/11/10/introducing-the-mobility-pathways-tool-for-workers-employers-and-policymakers/

Proposal 1: Set aside a fraction of the training curriculum funding to allow for the creation of new training programs and partnerships with employers as well as experts that can help companies design jobs to be productive and rewarding for TAA recipients. By expanding the constraints on curriculum and partnership development in the TAA program, states could partner with local employers and institutions to directly develop new curricula that a local hub of employers could approve or sanction. TAA recipients are not blank slates, training programs should be designed on top of the skills these workers already bring to the table. States could use funds both for curriculum development and the creation of sectoral partnerships to work with multiple employers to develop and implement new training programs (as defined in Section 3 (26) of the Workforce Innovation and Opportunities Act, PL 113-128). In this way, workers affected directly by trade-related disruption could tailor their valuable skills to be competitive for jobs specifically to the changing local economy. Additionally, while TAA workers would have the benefit of paying for the program with TAA funds, the new curriculum would also be available to anyone in the local community, promoting broadly accessible economic growth.

Proposal 2: Firms with the designation of "Qualified Adjacent Firms" should be added to a secondary list of eligible firms under the TAA program. TAA already allows "secondary workers" that is, workers in supply chain companies, to be eligible. By using the term adjacent, funding would be extended to workers that are proximate to the directly affected firms, once the initial set of TAA eligible workers in the area are served. Qualified adjacent firms could, for example, be those within a 25 mile radius of a plant closing and have experienced a decline in employment as a result of a TAA certified layoff. Businesses in the most common adjacently-affected industries, such as restaurants, health care, retail, and telecommunications, will then qualify for the benefit and regain some much-needed stability. No more than 10% of a state's annual TAA allocation would be spent on services for these workers.